

**Connecticut General Assembly**  
**OFFICE OF FISCAL ANALYSIS**

**Supplemental  
Analysis of the Governor's 2001-2003  
Midterm Budget Adjustments**

**March 11, 2002**



## **Introduction and Highlights**

The Office of Fiscal Analysis (OFA) distributed its initial analysis of the governor's budget on February 8, 2002 (this document is available on the web). In past years, OFA spent several weeks examining the governor's budget before releasing a more comprehensive analysis. This document provides OFA's perspective on several items that it traditionally analyzes within the governor's budget that could not be completed within 48 hours of the release of the governor's recommendations on February 6<sup>th</sup>.

This supplemental analysis includes the following sections:

### **Section 1. Budget Growth Rates**

The governor suggests that the FY 03 budget as adjusted by his midterm recommendations represents a 4.05% increase for all appropriated funds, whereas OFA's calculation indicates a revised FY 03 growth rate of 3.92% after certain adjustments are made to provide consistency between FY 02 and FY 03. The growth rate previously calculated by OFA for the original FY 03 budget was 4.43% for all appropriated funds.

### **Section 2. Technical vs. Policy Revisions in the FY 03 Governor's Budget**

The governor's revised budget recommendations reduce the original FY 03 budget by a net \$28.4 million. In accordance with OFA's categorization, these changes consist of \$81.2 million in positive net technical revisions and \$109.6 million in negative net policy revisions.

### **Section 3. Spending Cap**

The results of the spending cap calculation would be significantly different if the proposed deficiency bill included appropriations rather than "transfers" between accounts.

### **Section 4. Impact of the Governor's General Fund Budget Recommendations on the Out-Years**

OFA's initial analysis of the governor's budget (dated 2/8/02) indicated projected gaps exceeding the governor's estimates by \$233.6 million in FY 02 and \$173.7 million in FY 03. The governor subsequently released revised figures on March 1, 2002 which reduced the FY 02 difference with OFA by \$49.5 million to \$184.1 million. Although both OFA and OPM project improved revenue growth in the future based on renewed strength in the economy, any future revenue gains will advance from a reduced revenue base. After estimating revenues based on the governor's proposals and reflecting revised funding requirements, OFA estimates current services shortfalls amounting to \$585.8 million in FY 04, \$682.7 million in FY 05 and \$624.9 million in FY 06. In all of these years, OFA projects higher shortfalls than the governor, partially attributable to the differences between OFA's and OPM's projections for FY 02 and FY 03.

### **Section 5. Impact of Prior Year Appropriations Carried Forward into FY 03 on the OFA Projected FY 02 Deficit**

Back of the budget carry forwards proposed by the governor would reduce the lapse estimate and thereby increase the deficit projected by OFA on January 31, 2002 by \$9.1 million.

---

## Section 1: Budget Growth

---

### **Growth Rates**

#### **All Appropriated Funds**

	<b>FY 03</b>
Governor's Recommended Budget	4.05%
OFA (including adjustments)	3.92%

Reasons for the difference:

1. Net dollar difference in FY 02 estimated expenditures: OFA is \$7.5 million higher.
2. Net dollar difference in the FY 03 projected budgets: OFA is \$10.0 million lower. This lower level is primarily the result of adjusting for various items which were funded during FY 02 from the FY 01 surplus for on-going costs which are included in the Governor's recommended FY 03 budget.
3. The arithmetic growth rates shown on the following page are not to be confused with the growth rates allowed under the spending cap. The arithmetic growth rate is based on increases over the prior fiscal year. The growth rate that is currently used in calculating the spending cap is the five year average growth rate in personal income in Connecticut. However, that rate is applied only to the capped portion of the budget (not to the exempt portion that includes debt service and grants to distressed municipalities).

**FY 03 Budget Growth Rates Calculation  
(Based on OFA Adjustments)**

	<b>FY 02 OFA Est Exp. (1)</b>	<b>FY 03 Gov Rec</b>	<b>Percent Change (Adjusted)</b>
<b>General Fund</b>			
Base (2)	11,905.5	12,387.8	
Adjustment (3)	0.7	(7.0)	
<b>Subtotal</b>	<b>11,906.2</b>	<b>12,380.8</b>	<b>3.99%</b>
<b>Transportation Fund</b>			
Base	844.3	878.2	
Adjustments		(2.8)	
<b>Subtotal</b>	<b>844.3</b>	<b>875.4</b>	<b>3.69%</b>
<b>Other Appropriated Funds (6)</b>			
Base	221.1	223.6	
Adjustments		(0.2)	
<b>Subtotal</b>	<b>221.1</b>	<b>223.4</b>	<b>1.04%</b>
<b>TOTAL</b>	<b>12,971.6</b>	<b>13,479.6</b>	<b>3.92%</b>

(1) General Fund and Transportation Fund estimates are as of January 31, 2002

(2) Estimated expenditures include savings measures implemented after passage of the original FY 02 budget. The changes include \$35.3 M in operating budget reductions pursuant to SA 01-1 (NSS); \$33.0 M in allotment reductions as implemented by the Governor on 9/28/01 and 12/20/01; and a targetable lapse of \$8.9 M.

(3) The following adjustments are to the General Fund for purposes of comparability

	<b>FY 02 OFA Est Exp. (1)</b>	<b>FY 03 Gov Rec</b>
(a) Transfer of General Fund Costs to other funds or off budget		
Move Secretary of the State other expenses to the Commercial Recording Division Fund	0.7	1.3
Transfer funding for funeral honor guards from the GF to the Soldiers', Sailors' and Marines' Fund		0.2
Various Agencies - assumes costs previously supported by the General Fund will be supported by federal funds		3.1
(b) Transfers to the General Fund of costs previously paid by other funds		
Various Agencies - pick up costs previously supported by federal funds		(1.8)
(c) Continue FY 03 funding for items funded during FY 02 from the FY 01 Surplus		
Energy Contingency- GF		(9.6)
Hospital Billing System		(0.1)
<b>TOTAL</b>	<b>0.7</b>	<b>(7.0)</b>

(3) The following adjustments are to the Transportation Fund for purposes of comparability

(a) Continue FY 03 funding for items funded during FY 02 from the  
FY 01 Surplus (2.8)

**TOTAL - (2.8)**

(3) The following adjustments are to the other appropriated funds for purposes of comparability

Transfer funding for funeral honor guards from the GF to the  
Soldiers', Sailors and Marines' Fund (0.2)

**TOTAL (0.2)**

(6) Other Funds include: Banking; Insurance; DPUC/ Consumer Counsel; Workers' Compensation;  
Regional Market; Soldiers', Sailors', and Marines' Fund; Criminal Injuries Compensation; and  
Mashantucket Pequot and Mohegan fund.

---

## Section 2: Technical vs. Policy Revisions in the FY 03 Governor's Budget

---

The governor's recommended changes for FY 03 may be divided into technical and policy revisions. Technical revisions include: (1) increases or decreases resulting from caseload or uncontrollable cost changes and (2) changes required as a result of existing mandates (e.g. due to legislation previously passed without the proper adjustment to the budget). Policy revisions include: (1) increases due to new or expanded programs, and (2) decreases due to programmatic reductions or eliminations resulting from new policy directions, including the movement of programs from appropriated to non-appropriated funds. OFA generally treats transfers as policy revisions.

The technical and policy revisions for all appropriated funds may be categorized as follows:

	Amounts (in millions)	
<b>Governor's Recommended Adjustments (as categorized by OFA)</b>		
1. Decreasing Technical Revisions	\$	(53.4)
2. Increasing Technical Revisions		<u>134.6</u>
Net Technical Revisions	\$	81.2
3. Decreasing Policy Revisions	\$	(221.1)
4. Increasing Policy Revisions		<u>111.5</u>
Net Policy Revisions	\$	(109.6)
<b>Total Net Budget Changes</b>	<b>\$</b>	<b>(28.4)</b>

Detailed schedules outlining all of the above changes follow.

# TECHNICAL REVISION REDUCTIONS

	Gov. Rev. FY 03 Amount
<b>General Fund</b>	
<b>Division of Special Revenue</b>	
Closing of Milford Jai Alai	-135,379
<b>Department of Administrative Services</b>	
Reduce Workers' Compensation Administrator Funding	-339,508
<b>Office of Health Care Access</b>	
Expenditure Update/Personal Services	-93,384
<b>Department of Mental Health and Addiction Services</b>	
Various Annualizations and Spending Updates	-110,623
Transfer Funding to DSS	-3,500,000
<b>Total Agency</b>	<b>-3,610,623</b>
<b>Department of Social Services</b>	
ConnPACE Cost and Caseload Update	-5,944,910
Supplemental Assistance Cost and Caseload Updates	-4,422,140
Revise Child Care Supplemental Funding	-7,395,399
<b>Total Agency</b>	<b>-17,762,449</b>
<b>Department of Education</b>	
Revise Estimate for RESC Leases	-824,000
Revise Estimates for Non-Public Transportation Grant	-350,000
<b>Total Agency</b>	<b>-1,174,000</b>
<b>Department of Higher Education</b>	
Adjust Awards to Children of Deceased/Disabled Vets	-2,000
<b>Teachers' Retirement Board</b>	
Adjust Retiree Health Insurance Cost to Reflect Lower Participation Levels	-450,000
Adjust Municipal Retiree Health Insurance Cost to Reflect Lower Participation Levels	-350,000
<b>Total Agency</b>	<b>-800,000</b>
<b>Department of Correction</b>	
Adjust for Efficiencies Achieved via Consolidation	-269,000
<b>Department of Children and Families</b>	
Expenditure Update/Personal Services	-500,000
Expenditure Update/Annualization - Engineering Services	-62,000
Expenditure Update/Community KidCare Ancillary Services	-100,000
<b>Total Agency</b>	<b>-662,000</b>
<b>Judicial Department</b>	
Revise Occupancy Date - 90 Washington Street Lease	-500,000
<b>Debt Service - State Treasurer</b>	
Reduce Debt Service to Reflect Refunding Savings	-2,879,707
Reduce Debt Service to Reflect Bond Premiums	-8,955,982
Reduce Debt Service to Reflect Lower Interest Rates on Bonds Issued Between June and December 2001	-5,794,234
Reduce Interest Rate Assumptions	-4,753,356
<b>Total Agency</b>	<b>-22,383,279</b>
<b>Total General Fund</b>	<b>-47,731,622</b>
<b>Transportation Fund</b>	
<b>Debt Service - State Treasurer</b>	
Reduce Debt Service to Reflect Savings on Fall 2001 STO Bond Issue	-3,654,822
Reduce Interest Rate Assumptions	-2,067,850
<b>Total Transportation Fund</b>	<b>-5,722,672</b>
<b>Grand Total</b>	<b>-53,454,294</b>

# TECHNICAL REVISION ADDITIONS

	Gov. Rev. FY 03 Amount
<b>General Fund</b>	
<b>State Insurance and Risk Management Board</b>	
Add Funds to the Other Expense Account	2,217,940
<b>Office of Policy and Management</b>	
Increase Funding for Distressed Municipalities	2,668,000
Increase Funding for Tax Relief Elderly Freeze	870,000
Provide Additional Funding for Interlocal Agreements	48,500
<b>Total Agency</b>	<b>3,586,500</b>
<b>Division of Criminal Justice</b>	
Salary Increase (3.5%) for Statutory Employees	66,000
<b>Department of Public Safety</b>	
Adjust Workers' Compensation Claims Account	658,781
<b>Office of the Child Advocate</b>	
Adjust Personal Services/Annualize Salary Increase	10,000
<b>Department of Public Health</b>	
Annualize Other Expenses Deficiency	425,000
Expenditure Update/Electronic Vital Records System	64,000
Continue Support for School-Based Health Services	75,000
<b>Total Agency</b>	<b>564,000</b>
<b>Department of Mental Retardation</b>	
Realign Funding for Position	32,090
Birth-to-Three Expenditure Update	1,254,571
Expenditure Update/Annualize-Workers' Compensation Claims	556,516
Southbury Training School Community Placements	500,000
<b>Total Agency</b>	<b>2,343,177</b>
<b>Department of Mental Health and Addiction Services</b>	
Whiting Corrective Action Plan	1,779,380
Other Expenses Updates	2,147,615
Realign Funding for DAS Custodian at SMHA	33,426
<b>Total Agency</b>	<b>3,960,421</b>
<b>Department of Social Services</b>	
Medicaid Cost and Caseload Update	50,368,507
Connecticut Home Care Cost and Caseload Update	1,840,000
HUSKY Cost and Caseload Update	3,621,530
SAGA Cost and Caseload Update	7,111,894
Temporary Family Assistance Cost and Caseload Update	9,576,770
Child Care Cost and Caseload Update	4,774,831
Transfer Funding from DMHAS	3,500,000
General Cost and Caseload Update	1,039,821
<b>Total Agency</b>	<b>81,833,353</b>
<b>Department of Education</b>	
Increase Funding for Students in Mental Health Facilities	700,000
Re-Estimate Adult Education Grant	820,000
Revise ECS Grant Needs	2,900,000
Revise Special Education Grant Needs	11,000,000
<b>Total Agency</b>	<b>15,420,000</b>
<b>Department of Correction</b>	
Adjust Workers' Compensation Claims Account	1,887,225
<b>Department of Children and Families</b>	
Enhance LINK Computer System	4,000,000
Expenditure Update/Workers' Compensation Claims	1,047,696
<b>Total Agency</b>	<b>5,047,696</b>



**Public Defender Services Commission**

Salary Increase (3.5%) for Statutory Employees 77,590

**Reserve for Salary Adjustments**

Adjust Funding for Prior Collective Bargaining Requirements - GF 11,625,400

**Workers' Compensation Claims - Department of Administrative Services**

Increase Funding for Workers' Compensation Claims - GF 1,695,864

**Tuition Reimbursement - Training and Travel**

Increase Funding for Settled Collective Bargaining Contracts 1,409,500

**Total General Fund 132,403,447**

**Transportation Fund**

**Reserve for Salary Adjustments**

Adjust Funding for Prior Collective Bargaining Requirements 1,809,800

**Workers' Compensation Claims - Department of Administrative Services**

Increase Funding for Workers' Compensation Claims 27,098

**Total Transportation Fund 1,836,898**

**Regional Market Operation Fund**

**Department of Agriculture**

Personal Services Adjustment 2,272

**Banking Fund**

**Department of Banking**

Add Funds to Personal Services for the Settlement of a Maintenance Contract 3,152

Add Funds for the Annualization of A New Lease Cost 367,548

**Total Banking Fund 370,700**

**Insurance Fund**

**Department of Insurance**

Adjust Personal Services for Maintenance Contract Settlement 1,717

**Consumer Counsel & Public Utility Control Fund**

**Department of Public Utility Control**

Add Funds to Personal Services for a Maintenance Contract Settlement 1,577

**GRAND TOTAL 134,616,611**

# POLICY REVISION REDUCTIONS

Gov. Rev.  
FY 03  
Amount

## General Fund

### Secretary of the State

Transfer Other Expenses to Commercial Recording Division Fund -1,256,995

### State Treasurer

Annualize Savings from Deficit Mitigation Plan -150,000

### State Comptroller

Expenditure Update/Personal Services -150,000

Expenditure Update/Other Expenses -50,000

Eliminate Wellness Program Funding -47,500

**Total Agency -247,500**

### Department of Revenue Services

Annualize Savings from Deficit Mitigation Plan -100,000

### Division of Special Revenue

Annualize Savings from Deficit Mitigation Plan -66,567

### Office of Policy and Management

Annualize Savings from Deficit Mitigation Plan -853,750

Adjust Funding for Drug Enforcement Program (Grants to Towns) -2,037,051

Repeal the 55,000 Truck Exemption from the New Manufacturing Machinery Equipment Grant -1,300,000

Reallocate Private Provider COLA Funding -7,500,000

Eliminate Waste Water Treatment Facility Host Town Grant -250,000

**Total Agency -11,940,801**

### Department of Veterans Affairs

Expenditure Update/Personal Services -100,000

Annualize Savings from Deficit Mitigation Plan -400,000

**Total Agency -500,000**

### Office of Workforce Competitiveness

Reduce CETC Workforce Account -262,048

### Department of Administrative Services

Continue FY 02 Savings Program -700,000

Reduce Communications and Planning Functions -400,000

Reduce Other Expenses Funding -75,811

Transfer Position to the Office of the Child Advocate -44,800

Transfer Position to the Office of Victim Advocate -44,050

**Total Agency -1,264,661**

### Department of Information Technology

Reduce Funding for Automated Personnel System -58,565

Eliminate One Position and Personal Services Funding -54,131

**Total Agency -112,696**

### Division of Criminal Justice

Annualize Savings from Deficit Mitigation Plan -200,000

### Police Officer Standards and Training Council

Eliminate Funding for Training at Satellite Academies -50,000

### Military Department

Eliminate Vacant Position -53,041

Reduce Funding for Funeral Honor Guard -175,000

**Total Agency -228,041**

	<b>Gov. Rev. FY 03 Amount</b>
<b>Department of Consumer Protection</b>	
Reduce Accrued Leave Payout Funds	-30,000
Eliminate Customer Service Program Developer Position	-62,885
Eliminate General Worker Vacancy	-17,220
Eliminate Funding For A Part-Time Processing Technician	-38,222
Reduce Funds for Permanent Full-Time Positions	-145,000
<b>Total Agency</b>	<b>-293,327</b>
<b>Labor Department</b>	
Reduce Personal Services Funds from the Board of Mediation and Arbitration and the Wage and Workplace Division	-217,800
Reduce Funds from Opportunity Industrial Centers	-100,000
Reduce Funds from the Advanced Income Tax Credit Initiative	-300,000
Reduce Funds from Vocational and Manpower Training Program	-200,000
<b>Total Agency</b>	<b>-817,800</b>
<b>Commission on Human Rights and Opportunities</b>	
Eliminate Funds and Human Rights Referee Positions From Human Rights Referees Account	-152,750
Continue Agency Savings Program	-286,000
<b>Total Agency</b>	<b>-438,750</b>
<b>Office of Protection and Advocacy for Persons with Disabilities</b>	
Annualize Savings from Deficit Mitigation Plan	-60,000
<b>Department of Agriculture</b>	
Reduce Funds for Connecticut Grown	-295,000
<b>Connecticut Historical Commission</b>	
Annualize Savings from Deficit Mitigation Plan	-50,000
<b>Department of Economic and Community Development</b>	
Reduce Other Expenses	-50,000
Eliminate Entrepreneurial Centers Funding	-215,000
Reduce Elderly Rental Registry and Counselors Program	-20,000
Reduce Subsidized Assisted Living Demonstration Program	-869,625
Eliminate Tax Abatement Grant Program	-2,243,276
Eliminate Payment in Lieu of Taxes Grant Program	-2,900,000
<b>Total Agency</b>	<b>-6,297,901</b>
<b>Agricultural Experiment Station</b>	
Annualize Savings from Deficit Mitigation Plan	-40,000
Eliminate Wildlife Fertility Control Program	-125,000
<b>Total Agency</b>	<b>-165,000</b>
<b>Department of Public Health</b>	
Pickup with Federal Funds - Medicaid/Medicare Certification	-176,566
Eliminate Liability Coverage for Volunteer Retired Physician	-4,235
Reduce Selected Contracted Services	-202,961
Reduce Community Health Center Grants	-1,307,061
Annualize Savings from Deficit Mitigation Plan	-1,474,237
<b>Total Agency</b>	<b>-3,165,060</b>
<b>Office of Health Care Access</b>	
Establish Division of Hospitals and Health Care Planning within Department of Public Health	-2,802,107
Achieve Efficiencies in Operating Costs	-101,900
Reduce Agency Appropriations by Five Percent	-157,757
<b>Total Agency</b>	<b>-3,061,764</b>
<b>Department of Mental Retardation</b>	
Annualize Savings from Deficit Mitigation Plan	-924,098

	<b>Gov. Rev. FY 03 Amount</b>
<b>Department of Mental Health and Addiction Services</b>	
Annualize Savings from Deficit Mitigation Plan	-6,832,048
Reallocate Private Provider COLA's	-2,458,117
Restructure State Operated Residential Services	-1,095,000
Restructure Inpatient Services in Hartford	-897,442
Reconfigure Agency Management Structure	-1,350,000
Reduce Training Costs	-150,000
Reduce Contract with Connecticut Mental Health Center	-1,000,000
Reduce Support for Natchaug Hospital	-250,000
<b>Total Agency</b>	<b>-14,032,607</b>
<b>Department of Social Services</b>	
Annualize Savings from Deficit Mitigation Plan	-4,119,987
Require Dual Nursing Home Licenses	-1,900,000
Repeal Nursing Home Staffing Funding	-7,000,000
Delay Nursing Home Rate Increase	-2,100,000
Establish Community Alternatives to Nursing Home Care	-249,000
Rescind Physician Rate Relief	-3,900,000
Restructure Psychiatric Reinsurance	-3,200,000
Restructure Pharmacy Services	-19,700,000
Establish ConnPACE Asset Test	-1,900,000
Restructure HUSKY Adult Services	-5,600,000
Restructure HUSKY Outreach Efforts	-4,026,307
Eliminate Personal Care Assistance Programs	-589,370
Restructure SAGA Medical Benefits	-8,600,000
Restructure Elderly Health Screening	-314,045
Temporary Rental Assistance Expenditure Update	-2,247,090
Use Federal Funds for Fuel Assistance	-2,081,170
Reduce Security Deposit Program	-136,553
Eliminate Independent Living Center Administration	-24,388
Maximize Federal Funding for Pharmacy Administration	-131,797
Reduce Funding for Various Programs	-870,461
Enhance In-House Research, Data Analysis and Revenue Maximization Capability	-1,189,704
<b>Total Agency</b>	<b>-69,879,872</b>
<b>Department of Education</b>	
Continue FY 02 Savings Program	-123,750
Transfer Equipment to Capital Equipment Purchase Fund	-925,000
Reduce Various Other Current Expenses and Grants by Ten Percent	-781,276
Eliminate Funding for Hartford School Monitors	-260,000
Reduce Reimbursement Rate for RESC Leases	-282,663
Cap Funding for Transportation Aid	-2,440,000
Cap Funding of Adult Education Grants	-1,620,000
Eliminate Transitional School District Grant	-1,000,000
Eliminate Special Education Equity Grant	-7,500,000
Delay Increase in Special Education-Excess Cost Reimbursement	-9,000,000
Reduce ECS Funding	-48,900,000
<b>Total Agency</b>	<b>-72,832,689</b>
<b>Commission on the Deaf and Hearing Impaired</b>	
Annualize Savings from Deficit Mitigation Plan	-50,000
<b>State Library</b>	
Continue FY 02 Savings Program	-346,043
Reduce Basic Cultural Resources Grant	-145,166
<b>Total Agency</b>	<b>-491,209</b>
<b>Department of Higher Education</b>	
Reduce Personal Services Expenditures	-35,667
Adjust Formula for CICS Program	-2,630,874
Annualize Savings from Deficit Mitigation Plan	-475,135
<b>Total Agency</b>	<b>-3,141,676</b>

	<b>Gov. Rev. FY 03 Amount</b>
<b>University of Connecticut</b>	
Continue FY 02 Savings Program	-3,116,846
Expenditure Update/Operating Expenses	-1,973,718
<b>Total Agency</b>	<b>-5,090,564</b>
<b>University of Connecticut Health Center</b>	
Annualize Savings from Deficit Mitigation Plan	-1,000,876
<b>Charter Oak State College</b>	
Continue FY 02 Savings Program	-93,652
<b>Regional Community - Technical Colleges</b>	
Merge Central Office and Administration Functions	-2,527,617
Reduce Block Grant	-2,856,161
Annualize Savings from Deficit Mitigation Plan	-1,694,500
<b>Total Agency</b>	<b>-7,078,278</b>
<b>Connecticut State University</b>	
Reduce Block Grant	-944,648
Annualize Savings from Deficit Mitigation Plan	-1,909,426
<b>Total Agency</b>	<b>-2,854,074</b>
<b>Department of Correction</b>	
Revise Inmate Pay Plan	-1,000,000
Reduce Use of Leased Motor Vehicles	-200,000
Annualize Savings from Deficit Mitigation Plan	-228,847
<b>Total Agency</b>	<b>-1,428,847</b>
<b>Department of Children and Families</b>	
Eliminate Contracted Clinical and Pediatric Consultants	-61,551
Eliminate Support for Covenant to Care	-229,000
Eliminate Support for Neighborhood Youth Center	-150,000
Achieve Savings in Residential Treatment	-3,000,000
Annualize Savings from Deficit Mitigation Plan	-1,556,618
<b>Total Agency</b>	<b>-4,997,169</b>
<b>Council to Administer the Children's Trust Fund</b>	
Eliminate Three Healthy Families/First Steps Programs	-400,000
Limit Expansion of Help Me Grow/ChildServ Program	-200,000
<b>Total Agency</b>	<b>-600,000</b>
<b>Judicial Department</b>	
Eliminate Probate Court Funding	-500,000
Eliminate Funding for Youth in Crisis	-675,000
Annualize Savings from Deficit Mitigation Plan	-1,611,448
<b>Total Agency</b>	<b>-2,786,448</b>
<b>Public Defender Services Commission</b>	
Annualize Savings from Deficit Mitigation Plan	-102,396
<b>Lapses</b>	
Legislative Unallocated Lapse	-1,200,000
<b>Total General Fund</b>	<b>-219,608,366</b>

**Transportation Fund**

**Department of Motor Vehicles**

Personal Services Reduction-Allow Advertising in DMV Renewal Documents -179,754

**Soldiers, Sailors and Marines' Fund**

**Soldiers, Sailors and Marines' Fund**

Eliminate Vacant Position -53,923

**Banking Fund**

**Department of Banking**

Reduce Personal Services and Fringe Benefits to Achieve Savings -211,515

**Insurance Fund**

**Department of Insurance**

Reduce Personal Services and Fringe Benefits Appropriations to Achieve Savings -366,271

**Consumer Counsel & Public Utility Control Fund**

**Office of Consumer Counsel**

Eliminate Funds for an Administrative Hearings Specialist -87,649

**Department of Public Utility Control**

Reduce Funds in the Department of Public Utility Control Budget to Achieve Savings -155,157

**Total Consumer Counsel & Public Utility Control Fund -242,806**

**Workers' Compensation Fund**

**Workers' Compensation Commission**

Continue FY 02 Allotment Rescissions - Rehabilitative Services -221,149

Reduce Funding for Personal Services and Fringe Benefits -136,290

Reduce Funding for Other Expenses -100,000

**Total Workers' Compensation Fund -457,439**

**GRAND TOTAL -221,120,074**

## POLICY REVISION ADDITIONS

	Gov. Rev. FY 03 Amount
<b>General Fund</b>	
<b>Lieutenant Governor's Office</b>	
Reinstate Funding for Vacancy	40,000
<b>Office of Policy and Management</b>	
Establish State Disaster Contingency	250,000
Provide Funds for Statewide Disaster Training and Preparedness	500,000
<b>Total Agency</b>	<b>750,000</b>
<b>Department of Veterans Affairs</b>	
Restore Energy Funding	238,591
<b>Office of Workforce Competitiveness</b>	
Add Funds for Job Funnels	1,000,000
<b>Department of Administrative Services</b>	
Replace FY 01 Surplus Funds for Hospital Billing System	140,000
Replace FY 01 Surplus Funds for Disabilities Outreach Program	50,000
Increase Revenue Collection Initiatives	324,552
<b>Total Agency</b>	<b>514,552</b>
<b>Department of Public Works</b>	
Restore Energy Funding	598,022
<b>Office of the Claims Commissioner</b>	
Increase Funding for Outside Legal Expense	20,000
<b>Department of Public Safety</b>	
Adjust Funding Due to FY 01 Surplus Elimination	1,700,000
Restore Energy Funding	2,064,414
<b>Total Agency</b>	<b>3,764,414</b>
<b>Police Officer Standards and Training Council</b>	
Fund Maintenance of Firearms Training Simulator	5,500
<b>Military Department</b>	
Restore Energy Funding	107,469
Expand Anti-Terrorism/Security Effort	100,000
<b>Total Agency</b>	<b>207,469</b>
<b>Office of Victim Advocate</b>	
Position Transferred from the Department of Administrative Services	44,050
<b>Office of the Child Advocate</b>	
Transfer Position from Department of Administrative Services	44,800
<b>Department of Environmental Protection</b>	
Funding for Acquired Parks	336,000
Restore Energy Funding	39,887
<b>Total Agency</b>	<b>375,887</b>
<b>Connecticut Historical Commission</b>	
Augment Newgate Prison Staffing	12,557
<b>Agricultural Experiment Station</b>	
Staff New Laboratory	25,680
<b>Department of Public Health</b>	
Create Division of Hospitals and Health Care Planning	2,678,621
Enhance Bioterrorism Preparedness	500,000
Enhance Services for Children with Special Health Care Needs	575,000
<b>Total Agency</b>	<b>3,753,621</b>

	Gov. Rev. FY 03 Amount
<b>Department of Mental Retardation</b>	
Restore Energy Funding	471,830
Reallocate Private Provider COLA Funding	4,249,584
Provide Supplemental Funding for Private Providers	1,302,861
<b>Total Agency</b>	<b>6,024,275</b>
<b>Department of Mental Health and Addiction Services</b>	
Restore Energy Funding	1,003,807
Provide Supplemental Funding for Private Providers	763,672
<b>Total Agency</b>	<b>1,767,479</b>
<b>Department of Social Services</b>	
Enhance Home Health Care Rates	3,725,700
Enhance Rates for Certain Medical Providers	1,245,000
Reallocate Private Provider COLA	507,667
Increase Funding for Lifestar Helicopter	500,000
Increase Urban DSH Grant Funding	15,000,000
Restructure Rates for the HUSKY Program	19,510,000
Establish an Employer Health Insurance Subsidy Program	1,500,000
<b>Total Agency</b>	<b>41,988,367</b>
<b>Department of Education</b>	
Restore Energy Funding	538,046
Increase Teacher Staffing at the Vocational-Technical Schools	3,140,785
Provide for Vocational-Technical School Equipment	925,000
Increase Support of Primary Mental Health	50,000
<b>Total Agency</b>	<b>4,653,831</b>
<b>Board of Education and Services for the Blind</b>	
Enhance Personal Services for New Position	89,600
<b>State Library</b>	
Continue Funding the Digital Library	618,229
<b>Department of Higher Education</b>	
Provide Funding for New England Board of Higher Education	369,898
<b>Charter Oak State College</b>	
Continue Growth of the Distance Learning Consortium	500,000
<b>Regional Community - Technical Colleges</b>	
Provide Funding for New Facilities	2,090,273
<b>Connecticut State University</b>	
Provide Funding for New Facilities	28,545
<b>Department of Correction</b>	
Adjust for Suffield Expansion and Inmate Population	4,499,170
Restore Energy Funding	1,201,855
Reallocate Private Provider COLA Funding	234,084
<b>Total Agency</b>	<b>5,935,109</b>
<b>Board of Parole</b>	
Add Parole Officers to Maintain Caseload Ratios	415,795
Reallocate Private Provider COLA Funding	44,417
<b>Total Agency</b>	<b>460,212</b>
<b>Department of Children and Families</b>	
Restore Energy Funding	1,324,382
Provide Supplemental Funding for Private Providers	933,468
Reallocate Private Provider COLA Funding	3,044,721
<b>Total Agency</b>	<b>5,302,571</b>
<b>Council to Administer the Children's Trust Fund</b>	
Reallocate Private Provider COLA Funding	51,643



	<b>Gov. Rev. FY 03 Amount</b>
<b>Judicial Department</b>	
Restore Energy Funding	2,083,335
Reallocate Private Provider COLA Funding	740,625
Pick up Expiring Federal Grants	805,047
<b>Total Agency</b>	<b>3,629,007</b>
<b>Debt Service - State Treasurer</b>	
Increase Debt Service for School Construction Grants-in-Aid	1,400,000
<b>Employers Social Security Tax</b>	
Adjust Funding for Net Position Changes	625,000
Provide Funds for Disaster Preparedness Positions	46,000
<b>Total Agency</b>	<b>671,000</b>
<b>State Employees Health Service Cost</b>	
Adjust Funding for Net Position Changes	1,300,000
Provide Funds for Disaster Preparedness Positions	122,000
<b>Total Agency</b>	<b>1,422,000</b>
<b>Lapses</b>	
DOIT Lapse	1,500,000
Energy Costs	1,650,000
Total Lapses	3150,000
<b>Total General Fund</b>	<b>91,547,182</b>
<b>Transportation Fund</b>	
<b>Department of Motor Vehicles</b>	
Restore Five Positions and Funding for the Insurance Enforcement Program	60,000
Restore Energy Funding	32,413
<b>Total Agency</b>	<b>92,413</b>
<b>Department of Transportation</b>	
Replace FY 01 Surplus Funds for Energy Cost Increases	2,770,419
<b>Debt Service - State Treasurer</b>	
Increase STO Issuance to Fund Transportaton Strategy Board Initiatives	1,025,082
Further Fund Transportation Strategy Board Initiatives with STO Bonds	1,100,000
<b>Total Agency</b>	<b>2,125,082</b>
<b>Total Transportation Fund</b>	<b>4,987,914</b>
<b>Mashantucket Pequot and Mohegan Fund</b>	
<b>Mashantucket Pequot and Mohegan Fund Grant</b>	
Adjust Funding Due to Elimination of FY 01 Surplus	15,000,000
<b>Regional Market Operation Fund</b>	
<b>Department of Agriculture</b>	
Provide Funds for Capital Improvement	27,000
<b>GRAND TOTAL</b>	<b>111,562,096</b>

---

## Section 3: Spending Cap

---

The Governor's budget revisions for FY 03 result in a spending cap calculation of \$94.4 million under allowed expenditures. The Governor's calculation for FY 02 is \$98.5 million under the allowed expenditures. This includes a \$2 million net appropriation reduction in all funds as a result of the proposed deficiency bill (HB 5022). The deficiency bill also includes \$83.4 million in transfers from current year appropriations to accounts having deficiencies in a variety of state agencies. Allowed appropriations grew by an additional \$69 million over the enacted FY 03 budget due to a substantial revision of the personal income growth rate from 5.33 percent to 6.2 percent.

The results of the spending cap calculation would be significantly different if the proposed deficiency bill included appropriations rather than "transfers" between accounts. If these deficiency items were appropriated, then the spending cap calculation for FY 02 would be \$17.6 million under allowed expenditures and would result in the base for FY 03 being substantially higher thus causing FY 03 to be under the spending cap by \$182.9 million.

---

## **Section 4: Analysis of the Impact of the Governor's FY 03 General Fund Budget Recommendations on the Out-Years**

---

OFA's initial analysis of the governor's budget (dated 2/8/02) indicated projected gaps exceeding the governor's estimates by \$233.6 million in FY 02 and \$173.7 million in FY 03. The governor subsequently released revised figures on March 1, 2002 which reduced the FY 02 difference with OFA by \$49.5 million to \$184.1 million. Although both OFA and OPM project improved revenue growth in the future based on renewed strength in the economy, any future revenue gains will occur from a reduced revenue base. After estimating revenues based on the governor's proposals and reflecting revised funding requirements, OFA estimates current services shortfalls amounting to \$585.8 million in FY 04, \$682.7 million in FY 05 and \$624.9 million in FY 06. In all of these years, OFA projects higher shortfalls than the governor, partially attributable to the differences between OFA's and OPM's projections for FY 02 and FY 03. (See table on the next page.)

The difference is partially due to OFA's revenue estimates, which are lower than those of the governor by \$117.3 million in FY 04, \$29.8 million in FY 05 and \$76.1 million in FY 06. The net differences in our estimates from the governor's are mainly due to estimates of the Personal Income, Sales and Use and Corporations taxes as well as Federal Revenue. The revenue estimates are based on the assumption that there will be slower growth over the next few years than experienced over the 1996-2000 period. Although the forecast for the U.S. does not contain economic growth rates of the late nineties, neither does it, on the other extreme, assume a double dip recession where the recession is interrupted by brief periods of growth followed by a continued slump (5 of the past 7 recessions contained double dips). The growth rates for the Connecticut economy over the next four years assume modest growth with personal income growth in Connecticut picking up from 4% in FY 03 to slightly over 5% in FY 06. This is similar to economic growth rates assumed in the Governor's midterm budget report for FY 04 through FY 06. Virtually all of the significant differences between the Governor's estimates versus OFA's are due to the lower starting point. That is, the FY 03 base is lower due to a lower base in FY 02.

OFA's expenditure estimates are higher than those of the governor by \$109.1 million in FY 04, \$166 million in FY 05 and \$169 million in FY 06 and include adjustments primarily for the following:

- 1) an additional \$60+ million beginning in FY 04 to provide sufficient funding to meet statewide agency Personal Services requirements. The governor's projections include increases of 2.6% in each of FY 04 and FY 05 and 2.4% in FY 06, whereas at least 5% will be required;
- 2) an additional approximate \$30 million in to reflect conversion to Generally Accepted Accounting Principles (GAAP) in FY 04, which would annualize to approximately \$82.1 million including amortization of the \$781.8 million GAAP deficit in each of the following 15 fiscal years. Under current law, implementation of Generally Accepted Accounting Principles (GAAP) is required to begin on July 1, 2003. However, the Governor's out-year estimates do not include an adjustment for conversion to GAAP in FY 04; and
- 3) an additional \$14+ million beginning in FY 03 to reflect newly negotiated health insurance rates for both active and retired state employees.

**OFA's Preliminary Estimate of the Out-Year  
Impact of the Governor's Proposed  
General Fund Budget Revisions  
(in millions)**

		FY 04		FY 05		FY 06	
Overview:							
Governor's Revenues	\$	12,689.7	\$	13,185.8	\$	13,802.3	
Governor's Expenditures		13,049.1		13,672.6		14,182.1	
Shortfall Per Governor	\$	(359.4)	\$	(486.8)	\$	(379.8)	
OFA Revenues	\$	12,572.4	\$	13,156.0	\$	13,726.2	
OFA Expenditures		13,158.2		13,838.7		14,351.1	
Shortfall Per OFA	\$	(585.8)	\$	(682.7)	\$	(624.9)	
Shortfall Per OFA More (Less) Favorable than Governor	\$	(226.4)	\$	(195.9)	\$	(245.1)	

**OFA Revenue and Expenditure Differences from Governor:**

OFA Revenue Adjustments:						
<b>OFA Revenue Lower than Governor (See Revenue Schedule for Details)</b>	<b>\$</b>	<b>(117.3)</b>	<b>\$</b>	<b>(29.8)</b>	<b>\$</b>	<b>(76.1)</b>
OFA Expenditure Adjustments:						
Additional Personal Services to Meet Minimum 5% Requirements	\$	61.6	\$	63.1	\$	64.7
Generally Accepted Accounting Principles (GAAP)		30.0		82.1		82.1
Newly Negotiated Health Insurance Costs for Active and Retired St. Employees:						
State Employees Health Service Costs		5.8		6.1		6.4
Retired State Employees Health Service Costs		9.2		9.7		10.2
All Other Increases		2.5		5.0		5.6
<b>OFA Expenditures Higher than Governor</b>	<b>\$</b>	<b>109.1</b>	<b>\$</b>	<b>166.0</b>	<b>\$</b>	<b>169.0</b>

**Out-Years Including Previously Enacted and Governor's Proposed Revenue Changes  
as of March 11, 2002  
(\$'s in thousands)**

	<b>OFA FY 04 Estimate</b>	<b>Gov FY 04 Estimate</b>	<b>Diff FY 04</b>	<b>OFA FY 05 Estimate</b>	<b>Gov FY 05 Estimate</b>	<b>Diff FY 05</b>	<b>OFA FY 06 Estimate</b>	<b>Gov FY 06 Estimate</b>	<b>Diff FY 06</b>
<b>Taxes</b>									
Personal Income	\$5,008,400	\$5,119,900	(\$111,500)	\$5,327,200	\$5,385,000	(\$57,800)	\$5,631,600	\$5,659,600	(\$28,000)
Sales and Use *	3,442,100	3,539,600	(97,500)	3,590,000	3,689,300	(99,300)	3,757,000	3,907,900	(150,900)
Corporations	507,900	481,800	26,100	533,300	502,100	31,200	560,000	524,300	35,700
Inheritance and Estate	102,400	100,400	2,000	56,000	65,400	(9,400)	28,000	33,800	(5,800)
Public Service Corporations	187,800	186,900	900	187,800	190,100	(2,300)	187,800	193,300	(5,500)
Insurance Companies	220,400	212,500	7,900	227,100	215,300	11,800	234,000	218,100	15,900
Cigarettes	230,900	233,200	(2,300)	227,000	229,200	(2,200)	223,200	227,200	(4,000)
Oil Companies	45,800	61,800	(16,000)	40,300	64,200	(23,900)	40,300	66,600	(26,300)
Real Estate Conveyance	112,200	106,000	6,200	114,400	107,100	7,300	116,700	108,200	8,500
Alcoholic Beverages	41,000	41,900	(900)	41,000	41,900	(900)	41,000	41,900	(900)
Miscellaneous	35,200	40,300	(5,100)	34,500	44,400	(9,900)	33,300	48,700	(15,400)
Admissions, Dues and Cabaret	26,300	27,700	(1,400)	26,800	28,800	(2,000)	27,300	29,900	(2,600)
<b>Total Taxes</b>	<b>\$9,960,400</b>	<b>\$10,152,000</b>	<b>(191,600)</b>	<b>\$10,405,400</b>	<b>\$10,562,800</b>	<b>(157,400)</b>	<b>\$10,880,200</b>	<b>\$11,059,500</b>	<b>(179,300)</b>
<b>Refunds of Taxes</b>	<b>(\$824,800)</b>	<b>(\$842,100)</b>	<b>\$17,300</b>	<b>(\$851,565)</b>	<b>(\$884,200)</b>	<b>\$32,635</b>	<b>(\$932,520)</b>	<b>(\$928,400)</b>	<b>(\$4,120)</b>
	(25,000)	(25,000)	0	(30,000)	(30,000)	0	(35,000)	(35,000)	0
<b>Net General Fund Taxes</b>	<b>\$9,110,600</b>	<b>\$9,284,900</b>	<b>(\$174,300)</b>	<b>\$9,523,835</b>	<b>\$9,648,600</b>	<b>(\$124,765)</b>	<b>\$9,912,680</b>	<b>\$10,096,100</b>	<b>(\$183,420)</b>
<b>Other Revenue</b>									
Transfer Special Revenue	\$273,200	\$278,500	(\$5,300)	\$276,000	\$284,100	(\$8,100)	\$278,800	\$289,800	(\$11,000)
Indian Gaming Payments	410,000	419,000	(9,000)	430,000	440,000	(10,000)	450,000	462,000	(12,000)
Licenses, Permits and Fees	132,200	133,300	(1,100)	130,500	128,200	2,300	134,200	136,500	(2,300)
Sales of Commodities and Services	30,500	30,000	500	31,000	31,800	(800)	31,000	30,900	100
Rentals, Fines and Escheats	64,000	68,600	(4,600)	64,000	69,000	(5,000)	64,000	69,300	(5,300)
Investment Income	42,000	38,900	3,100	45,000	43,200	1,800	45,000	43,200	1,800
Miscellaneous	123,000	118,900	4,100	122,700	119,400	3,300	122,700	120,100	2,600
<b>Total Other Revenue</b>	<b>\$1,074,900</b>	<b>\$1,087,200</b>	<b>(\$12,300)</b>	<b>\$1,099,200</b>	<b>\$1,115,700</b>	<b>(\$16,500)</b>	<b>\$1,125,700</b>	<b>\$1,151,800</b>	<b>(\$26,100)</b>
<b>Refunds of Payments</b>	<b>(500)</b>	<b>(500)</b>	<b>0</b>	<b>(500)</b>	<b>(500)</b>	<b>0</b>	<b>(500)</b>	<b>(500)</b>	<b>0</b>
<b>Net Other Revenue</b>	<b>\$1,074,400</b>	<b>\$1,086,700</b>	<b>(\$12,300)</b>	<b>\$1,098,700</b>	<b>\$1,115,200</b>	<b>(\$16,500)</b>	<b>\$1,125,200</b>	<b>\$1,151,300</b>	<b>(\$26,100)</b>
<b>Other Sources</b>									
Federal Grants	2,418,400	2,349,100	\$69,300	2,563,500	2,452,000	\$111,500	2,717,300	\$2,583,900	\$133,400
Transfer from Tobacco Settlement Fund	104,000	104,000	0	105,000	105,000	0	106,000	106,000	0
To Other Funds	(135,000)	(135,000)	0	(135,000)	(135,000)	0	(135,000)	(135,000)	0
<b>Total Other Sources</b>	<b>\$2,387,400</b>	<b>\$2,318,100</b>	<b>\$69,300</b>	<b>\$2,533,500</b>	<b>\$2,422,000</b>	<b>\$111,500</b>	<b>\$2,688,300</b>	<b>\$2,554,900</b>	<b>\$133,400</b>
<b>Total Revenue</b>	<b>\$12,572,400</b>	<b>\$12,689,700</b>	<b>(\$117,300)</b>	<b>\$13,156,035</b>	<b>\$13,185,800</b>	<b>(\$29,765)</b>	<b>\$13,726,180</b>	<b>\$13,802,300</b>	<b>(\$76,120)</b>

\* Both OFA and the governor's estimates assume resumption of the sales tax on hospital patient care services beginning in FY 04 per current law.

---

## Section 5: Impact of Prior Year Appropriation Carried Forward into FY 03 on the OFA Projected FY 02 Deficit

---

Back of the budget carry forwards proposed by the governor would reduce the lapse estimate and thereby increase the deficit projected by OFA on January 31, 2002 by \$9.1 million.

The following lapses would be affected:

<b>Agency - Account</b>	<b>Lapse Estimate</b>
Workforce Competitiveness – CETC Workforce	\$565,065
Labor – Workforce Investment Act	7,780,176
Labor – Welfare-to-Work Grant Program	705,053
<b>Total</b>	<b>\$9,050,294</b>